

**MINUTES OF THE
QUASI-GOVERNMENTAL ENTITIES COMMITTEE
RETIREMENT SYSTEMS WORKSHOP**

Tuesday, August 28, 2001 – 9:00 a.m. – Room 129 State Capitol

Members Present:

Sen. Beverly Evans, Senate Chair
Rep. Ron Bigelow, House Chair
Sen. Ron Allen
Sen. Paula F. Julander
President Al Mansell
Sen. John L. Valentine
Rep. Eli H. Anderson
Rep. Trisha Beck
Rep. Judy Ann Buffmire
Rep. Don E. Bush
Rep. A. Lamont Tyler
Rep. David Ure
Rep. Glenn L. Way

Members Absent:

Rep. Kevin S. Garn

Staff Present:

Mr. Benjamin N. Christensen, Research Analyst,
Mr. Dee S Larsen, Associate General Counsel
Ms. Junie G. Anderson, Legislative Secretary

Note: A list of others present and a copy of materials can be found at <http://www.image.le.state.ut.us/imaging/history.asp> or contact the Office of Legislative Research and General Counsel.

This was the second meeting of a two-day Retirement Systems workshop. Chair Bigelow called the meeting to order at 9:19 a.m.

1. Public Employees Insurance Plan Overview

Mr. Linn Baker, Director, Public Employees Health Plan (PEHP), briefed the Committee on the PEHP health program and expressed appreciation to the Committee members and staff.

Mr. Jeff Jensen, Deputy Director, PEHP, gave a slide presentation "PEHP Programs" and distributed copies. He discussed life insurance programs, dental plans, health plans, long-term disability, and Section 125 administration.

Mr. Baker answered questions from Committee members. He gave a slide presentation "Health Care Trends" and distributed copies. He discussed the percentage increases over 1999 costs, the cost drivers, employers' reaction to rising costs, and benefit changes.

2. Health Insurance Funding Issues

Mr. Jensen also gave a slide presentation "How PEHP Manages Costs" and distributed copies. He discussed cost savings v. cost shifting, benefit design modifications, drug benefit changes, and contracting issues.

Ms. Alicia Sylvies, Manager, PEHP Provider Relations, continued the slide presentation and discussed selection and retention of quality health care professional providers for those who are insured through

PEHP. She also discussed designing fair reimbursement schedules and contracting challenges, along with what PEHP is doing to overcome those challenges.

Mr. Jensen spoke of utilization management, quality assurance, and the Healthy Utah Program statistics, then answered questions from Committee members.

Ms. Cathryn Passey, Case Management Coordinator, PEHP, defined the purpose and philosophy behind PEHP's case management and how it works. She also discussed cost savings and administrative costs. She assured the Committee that case management works by providing quality care and member satisfaction by supporting and educating patients and their families in making wise decisions about their care, while staying within the parameters of the policy guidelines.

3. Retirement Code Recodification Update

Mr. Kevin A. Howard, Utah State Retirement Systems, distributed a handout "2002 Retirement Law Recodification" and updated the Committee on the recodification.

4. Recurring Retirement Issues

Retirement Plan Windows

Mr. Dee Larsen, Office of Legislative Research and General Counsel, distributed two sections of the Utah Code "49-3-205 and "49-4a-205" that govern retirement system conversions. He explained both of the laws and said that since the creation of the Public Employees' Noncontributory System, two additional windows have been opened to allow an employee to switch to the Noncontributory System. Since benefit enhancements are generally made in the Noncontributory System only, requests to open additional windows are frequent. The additional costs to fund the enhanced benefits and administrative costs relating to conversions are also an issue.

Early and Supplemental Retirement

Mr. Howard distributed a handout "Early and Supplemental Retirement Programs" and discussed the programs, issues, and supplemental plans. He explained that allowing employees to retire early means that they will contribute to the retirement system for fewer years and likely draw retirement benefits for more years. This issue is how to keep the system financial sound under these circumstances.

Cost of Living Adjustments (COLA)

Mr. Larsen distributed "S.B. 92 - Public Safety Retirement Amendments" and "H.B. 359 - Retirement System Cost-of-Living Adjustment" from the 2001 General Session and discussed the bills. He said the largest obstacle is costs. State and local retirement rates would have to increase in order to increase the COLA for retirement benefits paid to retirees.

Mr. D. E. "Kip" Botkin, Chief of Police, Alpine-Highland Police Department and Utah Sheriff's Association, reported that four officers have lost their lives in the past 90 days, and he asked for time on a future agenda to discuss the cost-of-living issues and death benefits for police officers and firefighters.

Plan Consolidation

Mr. Robert Newman, Executive Director, Utah State Retirement Systems, distributed a handout "Summary Comparison of Benefits and Provisions" and discussed the contents of the handout. He said proposals to consolidate retirement plans come up occasionally. Differences in benefits and the funding of those benefits mean a consolidated retirement plan would require more funding and reapportioning benefits among retirees. Unless funding is increased, there would be some winners and some losers in terms of benefits.

Reemployment After Retirement

Mr. Howard distributed a handout "Post Retirement Penalties," gave a historical background, and discussed future issues pertaining to post retirement employment. He said the question is what do you do with a person who retires from the system and then is re-employed in another covered position within the system. To what extent should limitations be placed on drawing retirement benefits in that situation? Should there be a waiting period? What is the costs to the system?

Death Benefits

Mr. Ben Christensen, Research Analyst, Office of Legislative Research and General Counsel, distributed a handout "Utah Retirement Death Benefit Summary – System Comparison" and briefly discussed the handout. He also distributed "H.B. 6 - Surviving Spouse Pension" and discussed the bill. He indicated that the death benefit enhancements provided in H.B. 6 have an annual ongoing cost of \$2.26 million.

Less Than 2% Retirees

Mr. Howard explained the historical changes that have led to the 2% retirement benefit issue. Retirees who receive less than 2% would like to receive 2% of final average salary for each of their years of employment prior to 1975. He noted that funding the enhancement is a problem.

Other Issues

Mr. Newman discussed the contribution rates issue and distributed several handouts "Rate of Return, Funding Ratio, and Contribution Rate," "Schedules of Funding Progress," "Reconciliation of Changes in Unfunded Actuarial Accrued Liabilities," and "Member and Employer Contribution Rates." He explained that contribution rate (the percent of salary that employers have to pay for each employee for retirement) has been decreasing in recent years because of favorable rates of return on investments. As the economy

declines, contribution rates may have to be adjusted upward to ensure the actuarial soundness of the systems.

5. Other Committee Business

The committee scheduled the next meeting of the Quasi-governmental Committee on Monday, October 15, at 2:00 p.m. in room 129.

6. Adjournment

MOTION: Rep. Bush moved to adjourn the meeting. The motion passed unanimously with Sen. Allen, President Mansell, and Rep. Tyler absent for the vote. Chair Evans adjourned the meeting at 3:18 p.m.